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Contact: Carol Guthrie (Baucus)/Jill Kozeny (Grassley)
224-4515
Anthony Coley (Kennedy)
224-2633

BAUCUS, COLLEAGUES CALL FOR SAFER INVESTING AT PENSION INSURER

GAO report recommends federal insurer of government, private pensions adhere to its own safe investment policy

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa), along with fellow Senator Ted Kennedy (D-Mass), Chairman of the Health, Education, Labor and Pensions Committee, today called on the Pension Benefit Guarantee Corporation (PBGC) Board of Directors to more closely monitor the corporation's investments. The Senators' remarks came on the heels of new findings by the Government Accountability Office (GAO) that the PBGC did not follow its own 2004 policy of limiting its exposure to financial risk by reducing its equity investments to 15 to 20 percent of its total investments. The complete GAO report, entitled "Implementation of New Investment Policy Will Need Stronger Board Oversight," may be viewed here:
<http://www.gao.gov/new.items/d08667.pdf>.

"The PBGC is a safety net for the nest eggs of 44 million Americans. It is critical that the corporation invest responsibly and follow its own stated policies, rather than gamble with folks' money," said Baucus. **"I implore the Board of Directors to heed the recommendations in this report. Pensions are meant to provide peace of mind, not endless worry about market stability. These recommendations will help the PBGC make sure that their investments, and the future of millions of Americans, remain safe and sound."**

"The PBGC needs a different investment strategy if it wants to eliminate its \$14 billion deficit. The Board of Directors needs to be vigilant in analyzing and monitoring any investment strategy that involves higher risk for higher expected returns. More investment risk translates into additional risk for taxpayers, and if the additional risk isn't mitigated through adequate diversification, it could be disastrous. Too much is on the line for the federal insurer of defined benefit plans to gamble with the protection that it provides pension holders," Grassley said.

"Millions of Americans count on the PBGC to safeguard their pensions. Senator Kennedy believes it is vital that the agency make well-informed decisions about investing workers' pensions, which means carefully assessing the risks and returns of those investments. The GAO report raises basic questions about whether PBGC is evaluating those risks adequately, and these questions need to be answered before the agency presses ahead with any new investment policy," said Anthony Coley, spokesman for Senator Edward M. Kennedy.

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The PBGC currently suffers from a deficit of \$14 billion – the difference between its assets and liabilities from underfunded pension plans. In an effort to reduce its deficit, the PBGC revised its investment policy in 2008 to include assets with a higher expected return. The GAO report concluded that the new investment allocation might result in added risk and encouraged the PBGC to further analyze the new strategy before putting it to use. The PBGC’s single-employer program – its largest insurance program – is among the federal programs identified by GAO as high risk and in need of congressional action. The PBGC is one of the largest federal government corporations.

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